

Message Text

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ACTION EB-07

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC IMMEDIATE 3762

C O N F I D E N T I A L BUCHAREST 4297

C O R R E C T E D C O P Y (P A R A 1 G A R B L E D)

E.O. 11652: GDS

TAGS: EAIR, RO

SUBJECT: EXTENSION OF AIR TRANSPORT AGREEMENT AND DECREE 81

REF: BUCHAREST 4090

1. SUMMARY. THREAT OF DECREE 81 APPEARS TO HAVE BEEN REMOVED BY ARGUS NOTIFICATION TO PAN AM YESTERDAY THAT ITS STATUS WOULD BE UNCHANGED. IN EMBASSY VIEW, HOWEVER, ROMANIAN NON-PERFORMANCE UNDER NOVEMBER MEMORANDUM OF UNDERSTANDING REQUIRES OUR INSERTING PROVISIONS IN ATA EXTENSION THAT WILL GIVEN PAN AM EQUIVALENT ECONOMIC LEVERAGE TO THAT WIELDED BY TAROM. END SUMMARY.

2. PAN AM OFFICE RECEIVED PHONE CALL JUNE 8 FROM DEPUTY DIRECTOR OF ARGUS INDICATING THAT PAN AM'S STATUS WOULD NOT BE CHANGED AND APOLOGIZING FOR ANY INCONVENIENCE "MISUNDERSTANDING" MAY HAVE CAUSED. AT THIS STAGE EMBASSY HAS NOT RPT NOT RECEIVED INDEPENDENT NOTIFICATION THAT DECREE 81 WOULD NOT BE APPLIED TO PAN AM, NOR HAVE OTHER AIRLINES BEEN INFORMED THAT THEY WERE EXEMPTED. WE ARE NEVERTHELESS INCLINED TO ACCEPT PHONE CALL AS POSITIVE RESPONSE TO REPRESENTATIONS OF FOREIGN EMBASSIES AND THEIR AIRLINES.

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3. WHILE WE THEREFORE HOPE THAT IMMEDIATE THREAT OF DECREE 81 HAS BEEN LIFTED, WE AGREE FULLY WITH DEPARTMENT THAT PAN AM FACES OPERATIONAL AND ECONOMIC PROBLEMS IN ROMANIA WHICH EXTEND WELL BEYOND DECREE 81 AND THAT SOLUTION TO THESE OTHER PROBLEMS MUST BE SOUGHT IN CONTEXT OF ATA EXTENSION. GIVEN ROMANIAN FAILURE TO ADHERE TO PROMISES ON

SEVERAL AIRPORT OPERATIONAL PROBLEMS AND PRESENT DISMAL PERFORMANCE (DISCUSSED BELOW) RELATING TO THE MEMORANDUM OF UNDERSTANDING, WE WOULD PLACE LITTLE FAITH IN ROMANIAN PLEDGES TO DO BETTER. ONLY SATISFACTORY APPROACH SEEMS TO US TO ACCORD PAN AM ESSENTIALLY SAME DEGREE OF CONTROL OVER TAROM OPERATIONS IN U.S. THAT GOR EXERCISES OVER PAN AM HERE. TO BE TRULY COMMENSURATE, THIS CONTROL WOULD HAVE TO EXTEND NOT ONLY TO SALES BUT TO OPERATIONAL MATTERS (SERVICING OF AIRCRAFT) AS WELL. WHILE WE HESITATE VESTING THIS MUCH POWER IN THE HANDS OF PRIVATE U.S. COMPANY (INDEED, WE WONDER WHETHER IT IS NOT OPEN TO CHALLENGE UNDER ANTI-TRUST), WE ARE SKEPTICAL THAT ANYTHING SHORT OF THIS STEP WILL PROVIDE PAN AM THE EFFECTIVE LEVERAGE THAT IT NEEDS TO GET A REASONABLE SHARE OF THE MARKET.

4. WE ARE NOT SURE HOW THE CONCEPT OF CONTROL CAN BE TRANSLATED INTO A SPECIFIC REGIME INCORPORATED INTO ATA EXTENSION. IF THE DESIGNATION OF PAN AM AS EXCLUSIVE SALES AGENT WOULD ACCORD TO OUR CARRIER MEANS TO ENSURE EQUALIZATION OF BENEFITS UNDER ATA, AS TERM SUGGESTS, WE WOULD ENDORSE THIS PROPOSAL. ALTERNATIVE APPROACH, I.E., LIMITING EXTENSION TO ONE YEAR, DOES NOT APPEAR TO TACKLE SUBSTANTIVE ISSUES. LIKE PROVISION FOR 60-DAY TERMINATION NOTICE, IT SETS STAGE FOR FUTURE CONFRONTATION WITHOUT REALLY ATTEMPTING TO REDRESS ECONOMIC BENEFITS NOW. WE HAVE NO REASON TO EXPECT THAT ABBREVIATED EXTENSION WILL HAVE ANY MORE IMPACT ON ROMANIAN BEHAVIOR THAN SALES QUOTA AGREEMENT HAS HAD IN ABSENCE OF QUICK AND EFFECTIVE RETALIATORY MECHANISM. AS THIRD POSSIBILITY, IT OCCURS TO

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US THAT REVISED EXTENSION FORMULA MIGHT AT LEAST ALLUDE TO CHARTER OPERATIONS. WE COULD CONCEIVE OF FORMULA THAT WOULD LINK GROWTH IN CHARTERS WITH SATISFACTORY DEVELOPMENT OF SCHEDULED SERVICE.

5. IN VIEW OF PROLONGED ONEROUS CONDITIONS UNDER WHICH PAN AM HAS LABORED IN THIS MARKET, WE DON'T BELIEVE WE SHOULD DELAY ANY LONGER. TACTICALLY, WE WOULD THEREFORE FAVOR OUR IMMEDIATE WITHDRAWAL OF MARCH 23 NOTE. WE SUGGEST THAT DEPARTMENT SIGNAL IMPORTANCE BY CALLING IN AMBASSADOR NICOLAE, POINTING TO UNSATISFACTORY FULFILLMENT OF MEMORANDUM OF UNDERSTANDING AND INDICATING WE WILL SOON SUBMIT REVISED PROPOSAL.

6. UNFORTUNATELY, PRESENTATION MAY HAVE TO BE MADE WITH ONLY PARTIAL DATA ON ROMANIAN PERFORMANCE, SINCE PAN AM FIGURES WE SECURED JUNE 7 REFLECT NUMBER OF PAN AM TICKETS ISSUED RATHER THAN NUMBER OF TRANSATLANTIC CROSSINGS WHICH IS BASIS FOR PRELIMINARY SALES QUOTA OF 1600 FOR

1977. EVEN SO, DATA FOR FIRST FIVE MONTHS, GIVEN BELOW,
SHOW ROMANIAN PERFORMANCE AS FAR SHORT OF COMMITMENT.

JAN - MAY 1977

| | VISAS ISSUED | PAN AM TICKETS |
|-----|--------------|--------------------|
| IV | 378 | 233 |
| NIV | 1538 | 116 |
| | 1916 | 349 (18.2 PERCENT) |

EVEN ASSUMING THAT ALL 116 NIVS TICKETED WITH PAN AM TRAVELED
IN BOTH DIRECTIONS WITH U.S. CARRIER (REVERSE IS CLOSER TO
REALITY), PAN AM'S SHARE OF LEI SALES FOR FIRST FIVE MONTHS
WOULD BE ONLY 24.3 PERCENT OF MARKET AND WOULD NECESSITATE TAROM
AGREEING TO 1135 LEI SALES ON PAN AM DURING LAST SEVEN MONTHS
OF YEAR. WHILE THIS LEVEL ASSUREDLY IS REACHABLE BASED ON PROJECTION
OF VISA ISSUANCES FOR 1977, IT WOULD REQUIRE CHANGE IN
INSTRUCTIONS TO TAROM TICKETING OFFICE. FROM WHAT PAN AM
TELLS US, THERE HAS BEEN NOT ONLY NO RELAXATION OF THESE
INSTRUCTIONS BUT ACTUAL TIGHTENING OF PROCEDURES, MANIFESTED
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IN ALMOST CONSTANT INTMIDATION OF LEI SALE PASSENGERS
SEEKING RESERVATIONS ON PAN AM AT TAROM OFFICES.

7. WE PRESUME THAT ROMANIANS WILL RESPOND TO SUCH AN
INITIATIVE WITH POSITIVE CRY OF WOUNDED INNOCENCE AND PRO-
TESTATION THAT THEY HAVE EVERY INTENTION OF ADHERING TO
SALES QUOTE. IN OUR VIEW WE CAN ACCEPT THESE ASSURANCES
OF GOOD FAITH BUT INSIST ON ARRANGEMENT WHICH WILL MOST
CLOSELY GUARANTEE EXISTENCE OF EQUAL CONDITIONS. SHOULD
WE NOT SEIZE THIS OCCASION, WE CANNOT FORESEE HOW WE WILL
BE ABLE TO GET ATA BACK ON SOUND FOOTING.
VIETS

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